

Annual Report on Compensation

Board of Regents Faculty and Staff Affairs Committee

Kathryn F. Brown, Vice President, Office of Human Resources
Lori Lamb, Director, OHR Operations
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Strategic Direction for OHR

- **Mission:** The Office of Human Resources strategically leads and partners with our community to provide the diverse workforce and organizational capabilities that drive excellence in the University.
- **Vision:** Create the diverse workplace of the future where people are engaged, connected, thriving, and achieving.
- **Values:** Integrity, service, innovation, collaboration, and responsibility.

Strategic Imperatives

- **Define**
 - Re-imagined, integrated OHR portfolio of services
 - Well-articulated partnership between central OHR and HR work in colleges, units, and campuses in which roles and responsibilities are clear and understood
 - Leader in providing HR professional skills and practice, and encouraging best practices in HR systems and service delivery
- **Simplify**
 - Simplified employment policies and administrative procedures
 - Streamlined employment processes and management
- **Empower**
 - Leaders and managers to make strategic decisions about talent
 - Employees to optimize their employment experience
 - Human resource professionals to be proactive, responsible, and responsive
- **Deliver**
 - Excellent, high quality service in core OHR business functions
 - Improved business processes that support talent management
 - Strategic organizational development advice and practice

OHR Strategic Dashboard: Compensation Planning (Define, Simplify)

Goal: Work with senior management to develop and implement a comprehensive compensation philosophy, principles, and tools that will guide compensation decisions for all employee groups and individuals at all levels of the institution.

What We Will Cover Today

- Total compensation definition, philosophy, and policy
- Workforce trends impacting compensation
 - Total headcount
 - Healthcare cost trends
 - Total compensation and salary increase trends
- The challenges of benchmarking
- 2013 total compensation report by specific employee groups
 - Senior leader salaries compared to peers
 - Faculty salaries compared to peers
 - Professional salaries

Compensation Philosophy

- **Guiding Principles Summarized**
- The University strives to achieve and maintain a compensation package that is competitive* relative to peers and labor markets.
- The University rewards meritorious performance through compensation and other forms of recognition.
- For initial salaries and pay adjustments, the University considers the work responsibilities, market*, internal equity, experience and expertise, performance*, and other criteria as appropriate.
- The University adheres to compensation and recognition practices that are fair and equitable* in design, application, and delivery.

Source: Board of Regents Policy: *Employee Compensation and Recognition Policy*

*Called out in senior compensation policy.



UNIVERSITY OF MINNESOTA BOARD OF REGENTS POLICY

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Human Resources

EMPLOYEE COMPENSATION AND RECOGNITION

Adopted: March 9, 2007

Amended: July 11, 2012

SECTION V. MONITORING AND REPORTING

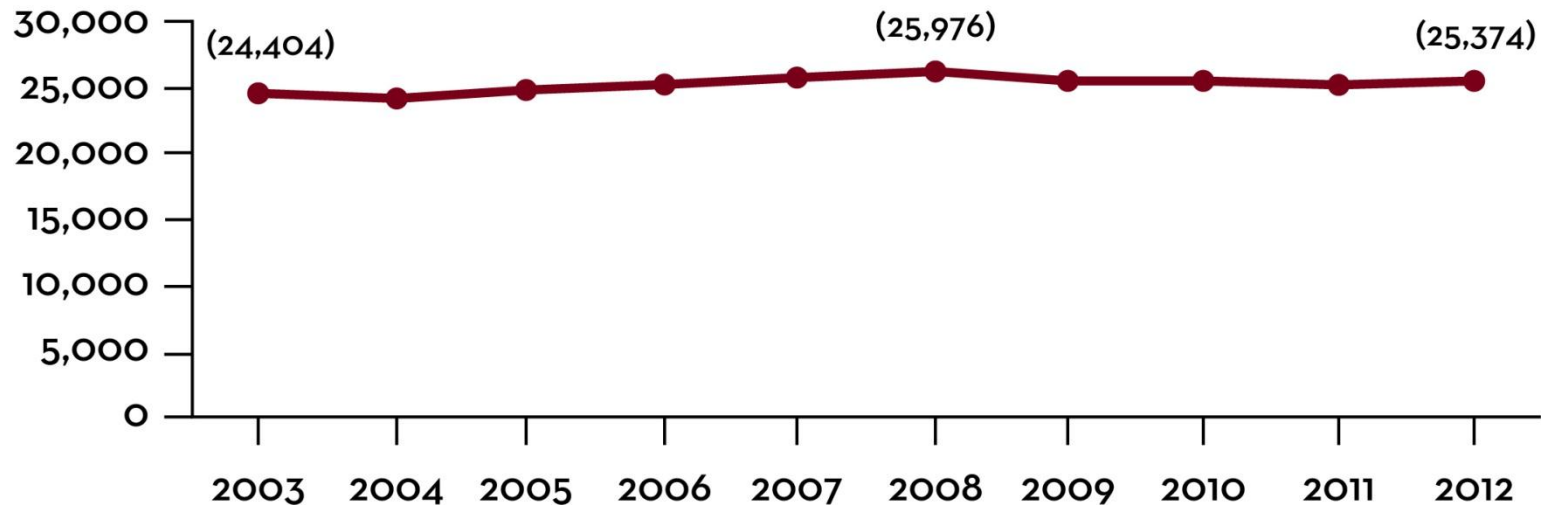
The president or delegate shall:

- (a) monitor the effectiveness of compensation and recognition programs; and
- (b) report annually to the Board of Regents on compensation and recognition programs for all employees, including an annual comprehensive report on compensation provided to senior leaders.

Employee Headcount

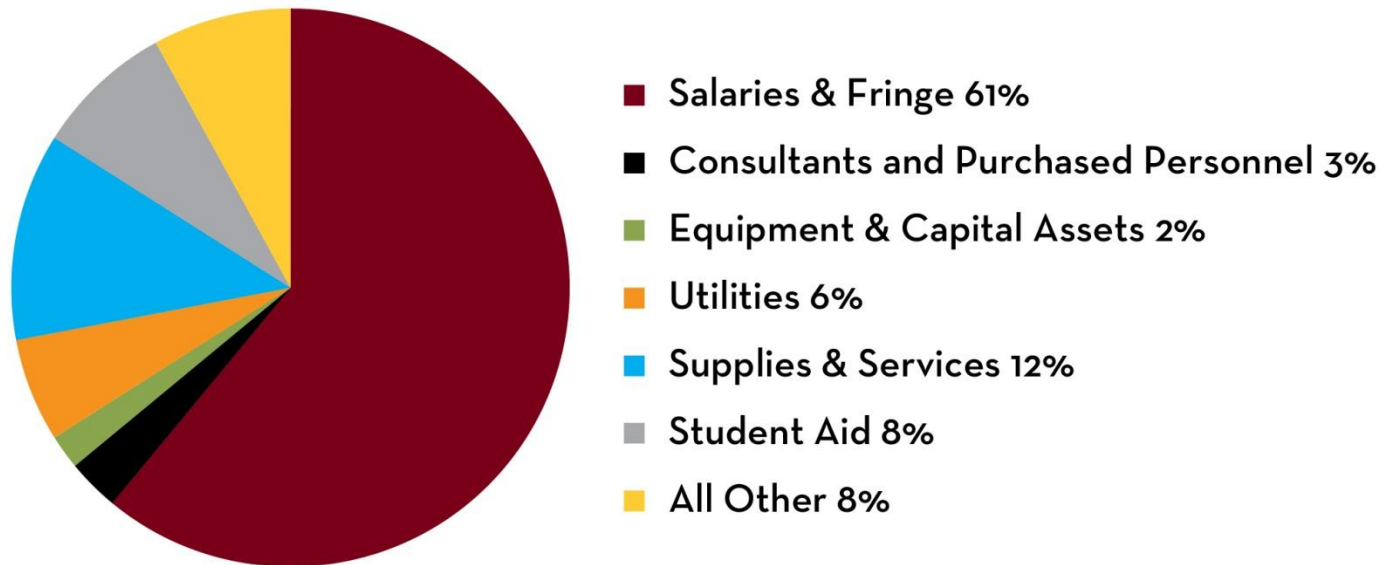
(Headcount stable for the past 10 years)

University Headcount



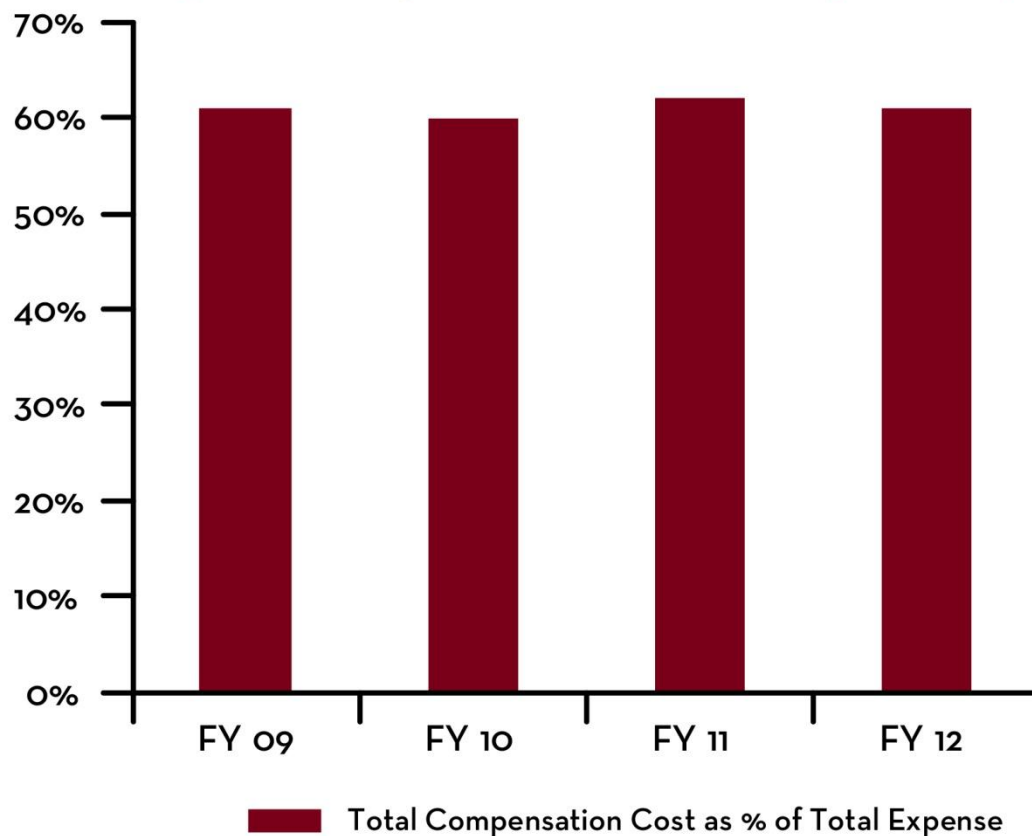
Total Compensation as a percentage of total spend in 2012

(Majority of spend is for salaries and fringe)



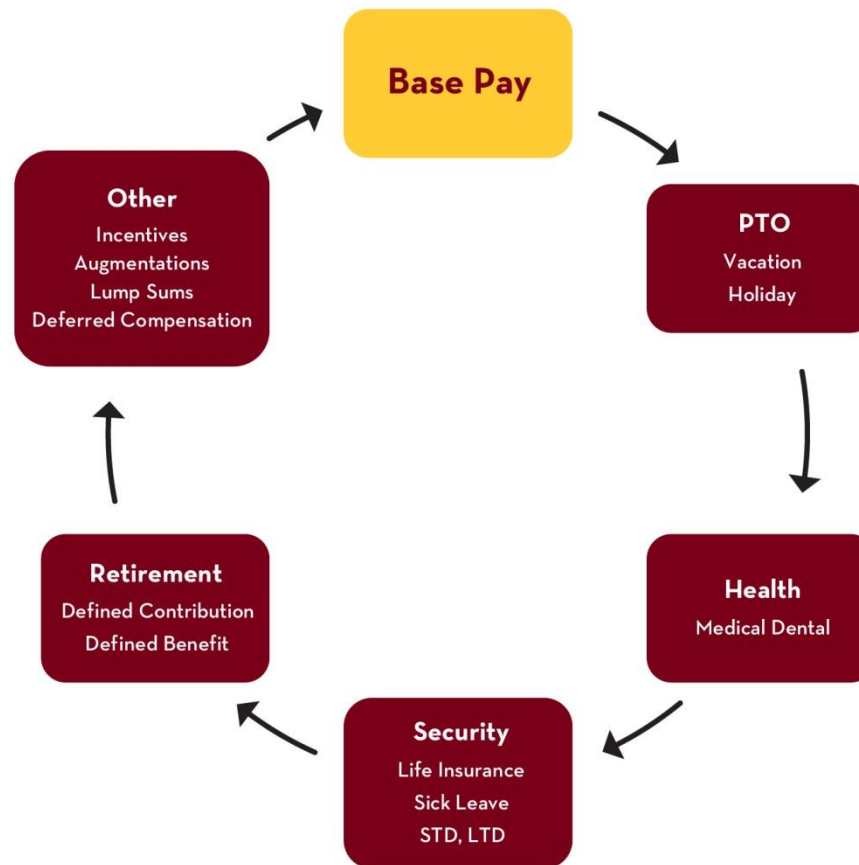
Total Compensation Cost as % of Total Expense

(Total compensation is relatively stable.)



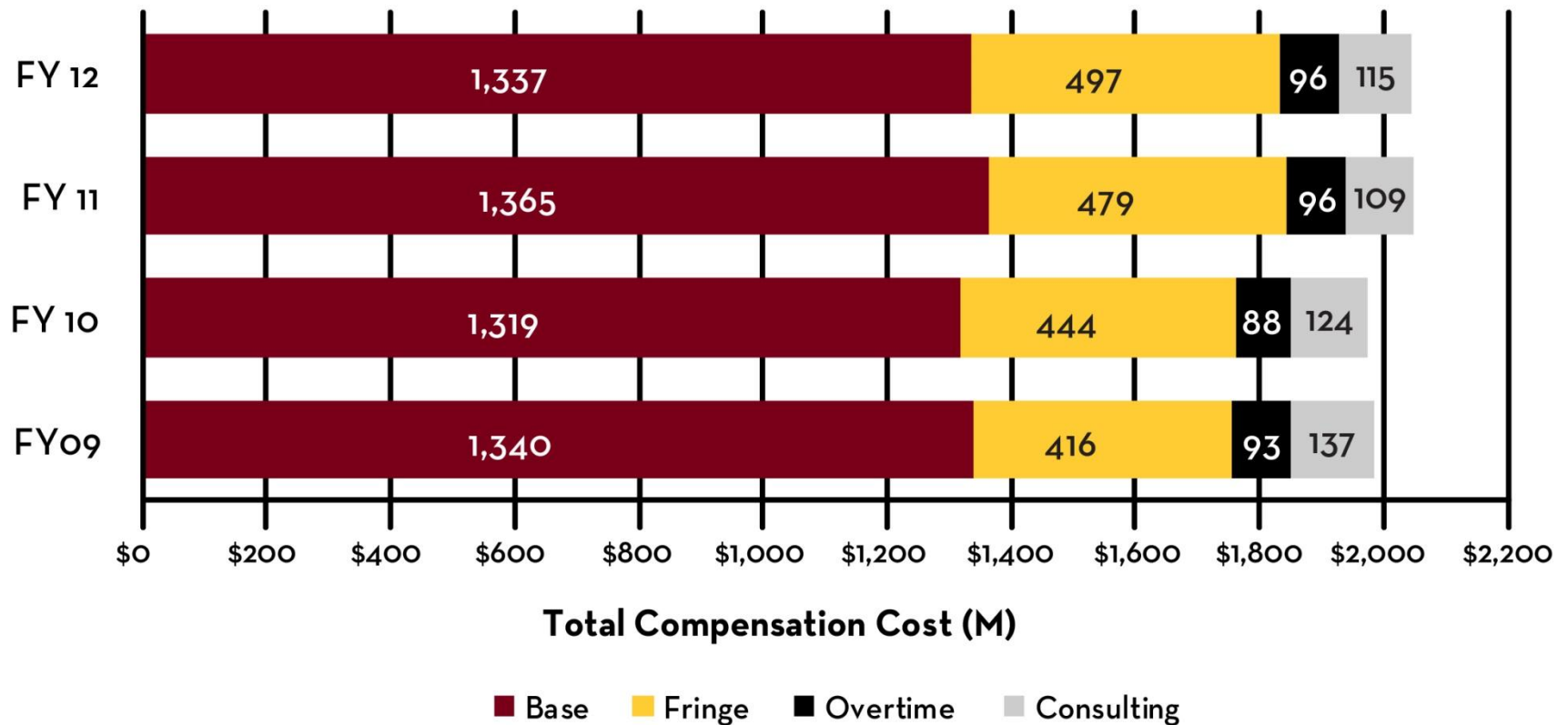
Total Compensation

(Total compensation is made up of six components.)



Trend in Total Compensation Cost by Component

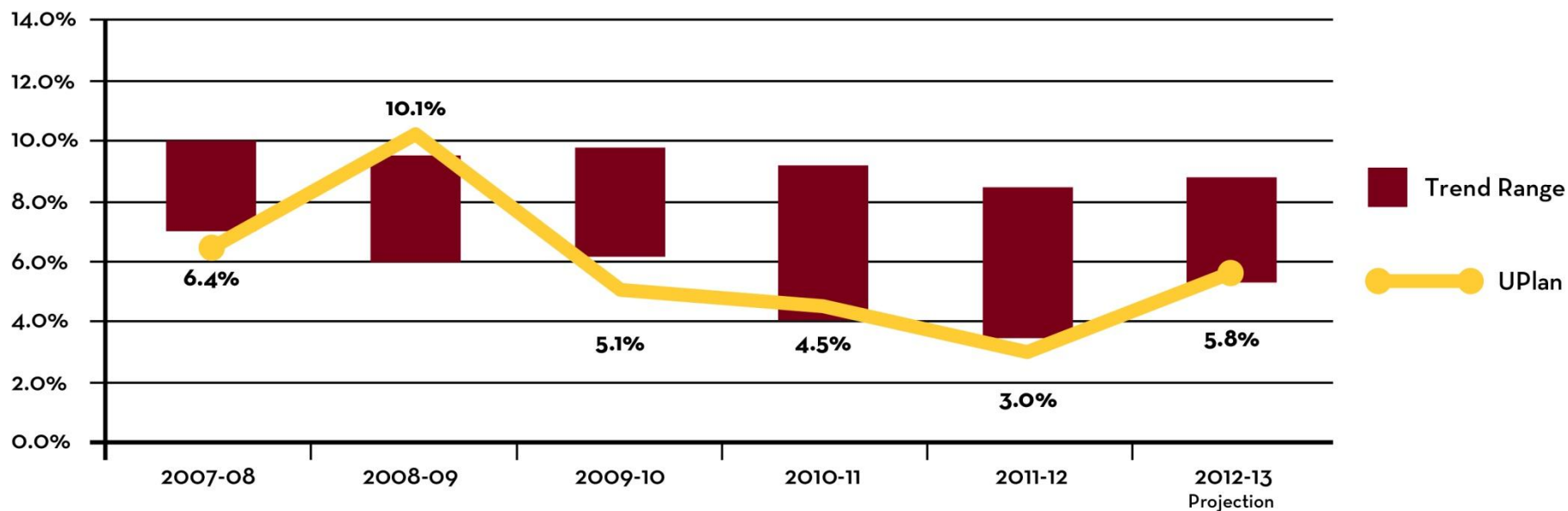
(Base salary shrinking; fringe growing)



Aggregate Health Care Trend

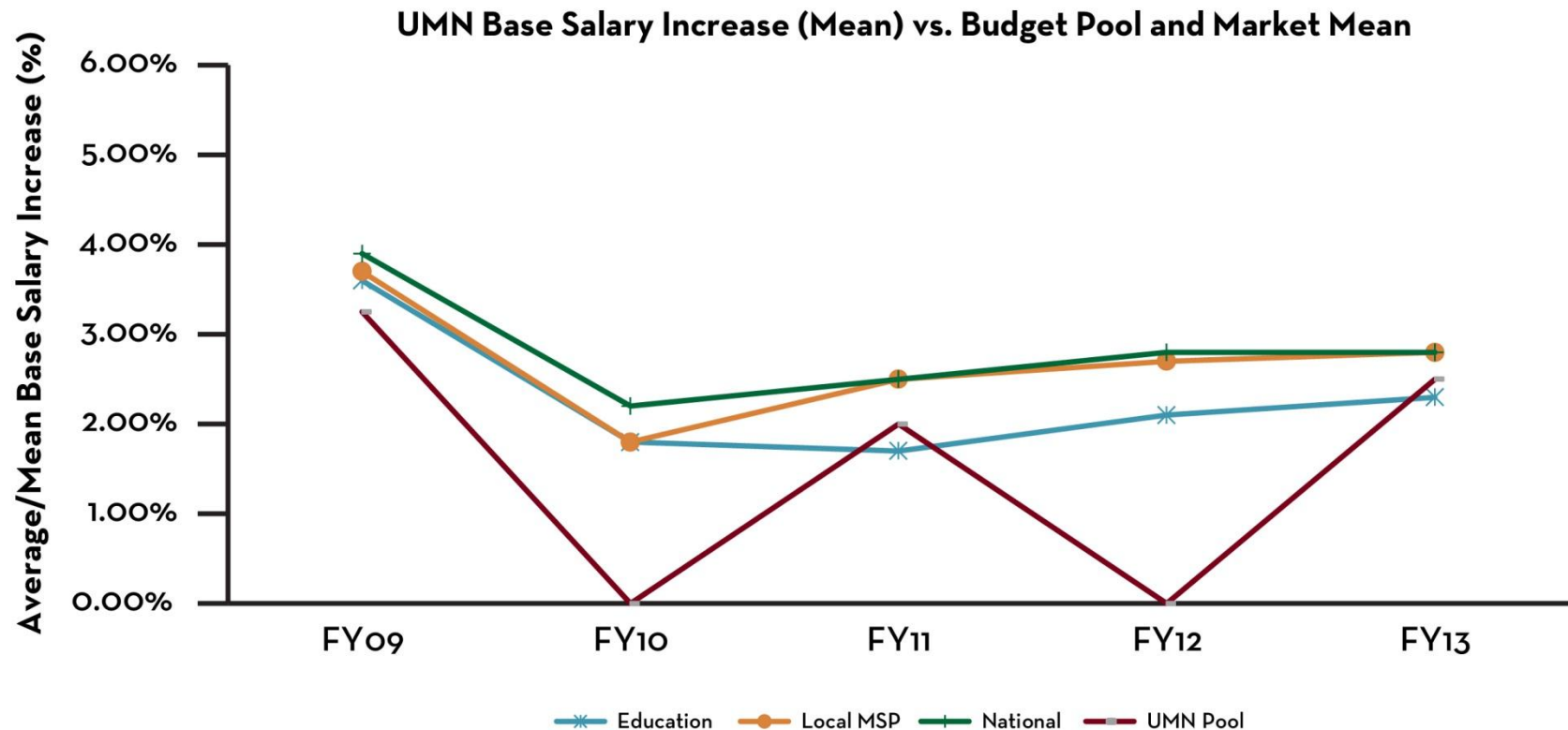
(With one outlying year, UPlan below national trend for health care cost growth, but still growing)

Aggregate Health Care Trend 2007-2013



Base Salary Increase Trends

(UMN base salary increases mostly below national, education, and local market comparisons)



Note: Market data not available for Education FY 2007-2008. UMN budget was used for calculations.

Example: Base Salary Increase Trends

(Salary increases have trended below market.)

Impact of base salary on a sample individual

	UMN Pool	Local MSP	Education	National
FY 2007-2008	\$50,000	\$50,000	\$50,000	\$50,000
FY 2008-2009	\$51,625	\$51,850	\$51,800	\$51,950
FY 2009-2010	\$51,625	\$52,783	\$52,732	\$53,093
FY 2010-2011	\$52,658	\$54,103	\$53,629	\$54,420
FY 2011-2012	\$52,658	\$55,564	\$54,755	\$55,944
UMN to Market		-5.5%	-4%	-6.2%

2013 Compensation Report by Specific Employee Groups

- Senior Leaders
- Faculty – detailed presentation by Provost in May 2013
- Professionals

Benchmarking

(Current practice is to benchmark with best available data from comparable peers.)

For All Employees:

- Reliable comparison data is only available with regard to base salary.
- Used peers traditionally cited by the Office of Institutional Research for each campus.

For Senior Leaders:

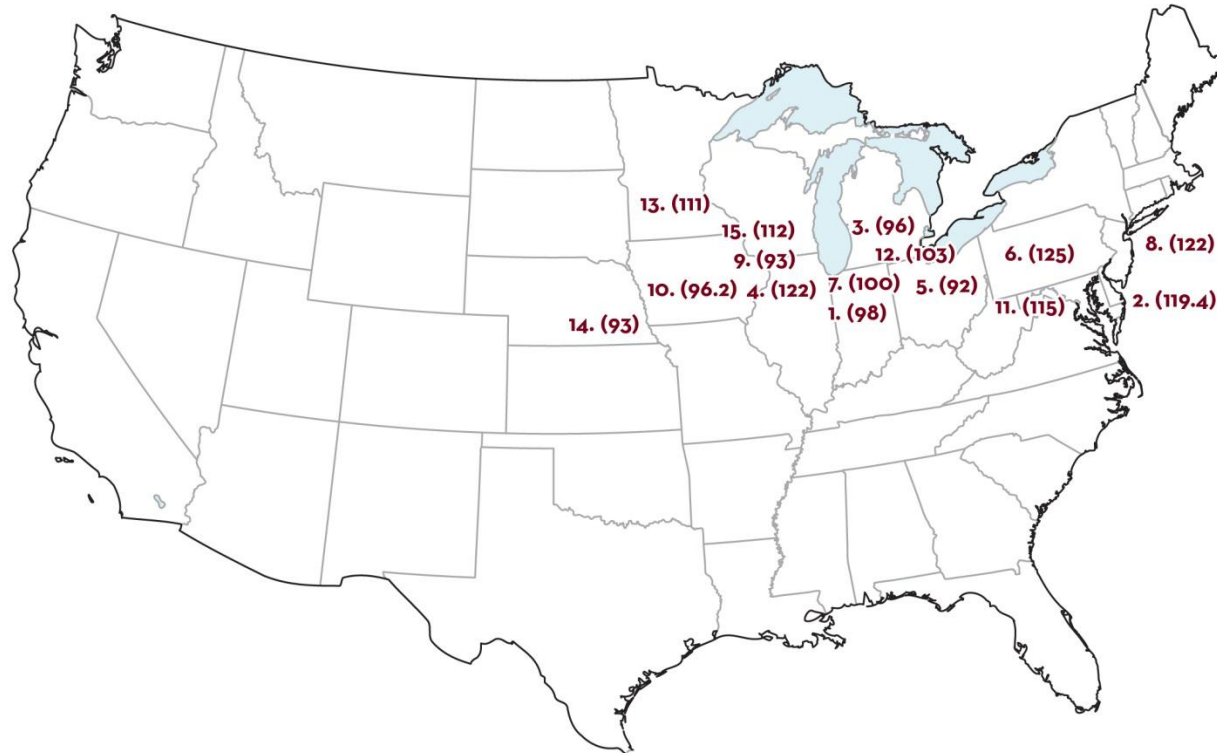
- Conducted individual interviews with peers and Big 10 colleagues.
- CUPA data used when institutions could not be reached.

Benchmarking: Challenges

(No single market can be broadly applied to U.)

- Scope of job responsibilities vary
- Size of institutions vary
- Total compensation varies
- Cost of living differences

Peer Cost of Living Index



1. Indiana University
2. Johns Hopkins
3. Michigan State University
4. Northwestern University
5. Ohio State University
6. Penn State University
7. Purdue
8. Rutgers

- Bloomington, IN
- Baltimore, MD
- East Lansing, MI
- Evanston, IL
- Columbus, OH
- University Park, PA
- West Lafayette, IN
- New Brunswick, NJ

9. University of Illinois
10. University of Iowa
11. University of Maryland
12. University of Michigan
13. University of Minnesota
14. University of Nebraska
15. University of Wisconsin

- Urbana, IL
- Iowa City, IA
- College Park, MD
- Ann Arbor, MI
- Minneapolis, MN
- Lincoln, NE
- Madison, WI

Best Practices for Senior Leader Compensation

- Document an executive compensation philosophy
- Focus on peer institutions (be competitive)
- Take a total compensation perspective (balance compensation elements)
- Use job matching sophistication (positions are variable; use markets outside higher education where applicable)
- Conduct internal equity reviews
- Conduct regular analysis

Adapted from “Executive compensation in Higher Education: Trends and Best Practices,” Grant Thornton, and “Higher Education Compensation Benchmarking Best Practices and Emerging Trends,” Sibson Consulting

Senior Leaders Defined

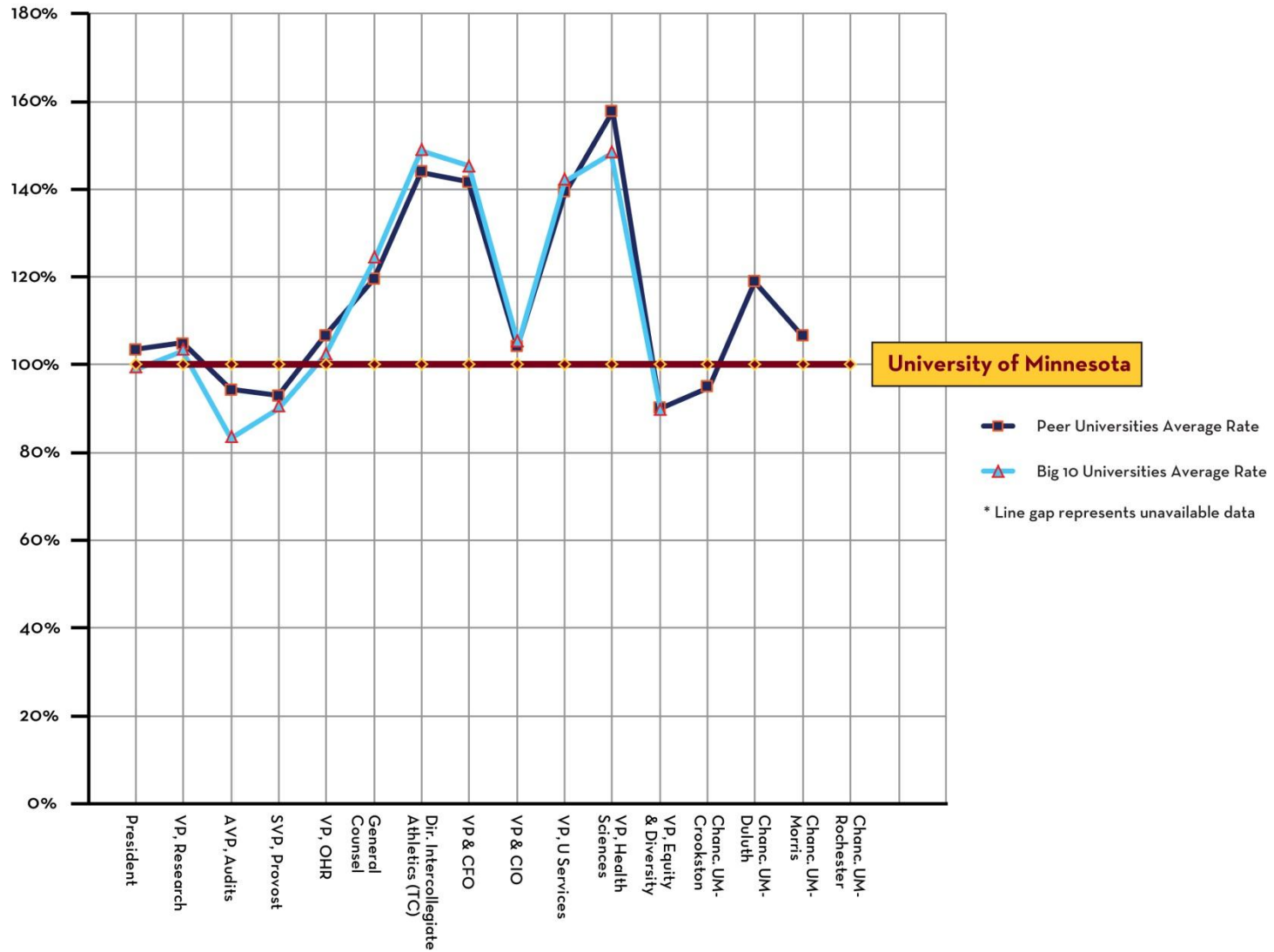
Board appoints the following individuals and approves their terms of employment:

- Senior Vice President for Academic Affairs and Provost
- Senior Vice President for Academic Administration, University of Minnesota System
- Chancellor
- Vice President
- Provost
- General Counsel
- Librarian
- Director of Audits
- Dean
- Athletic Director, Twin Cities campus
- Such other administrative positions as the Board may specify from time to time.

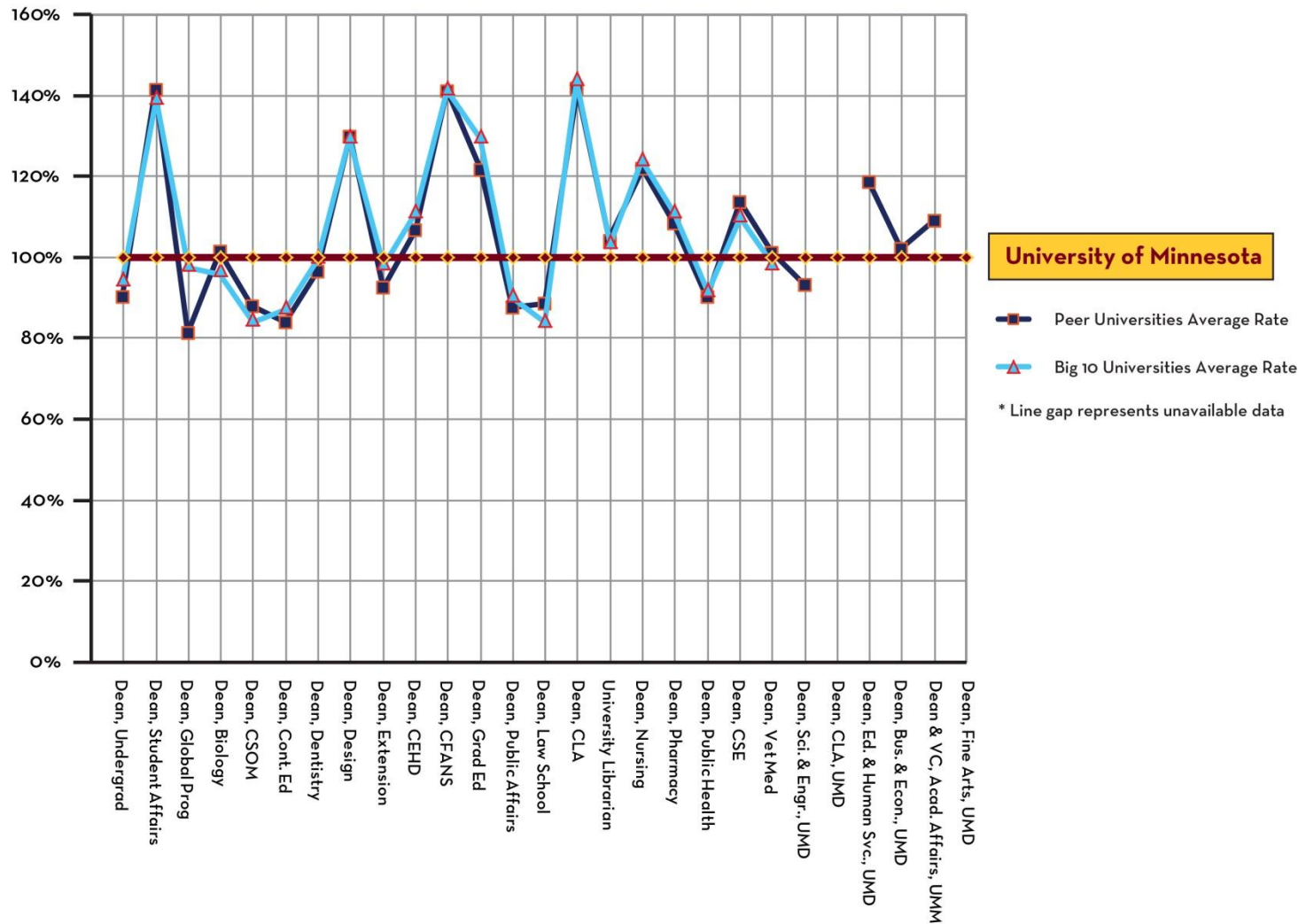
Source: Board Policy: *Reservation and Delegation of Authority*

Senior Leaders Compared to Peer Universities-Average

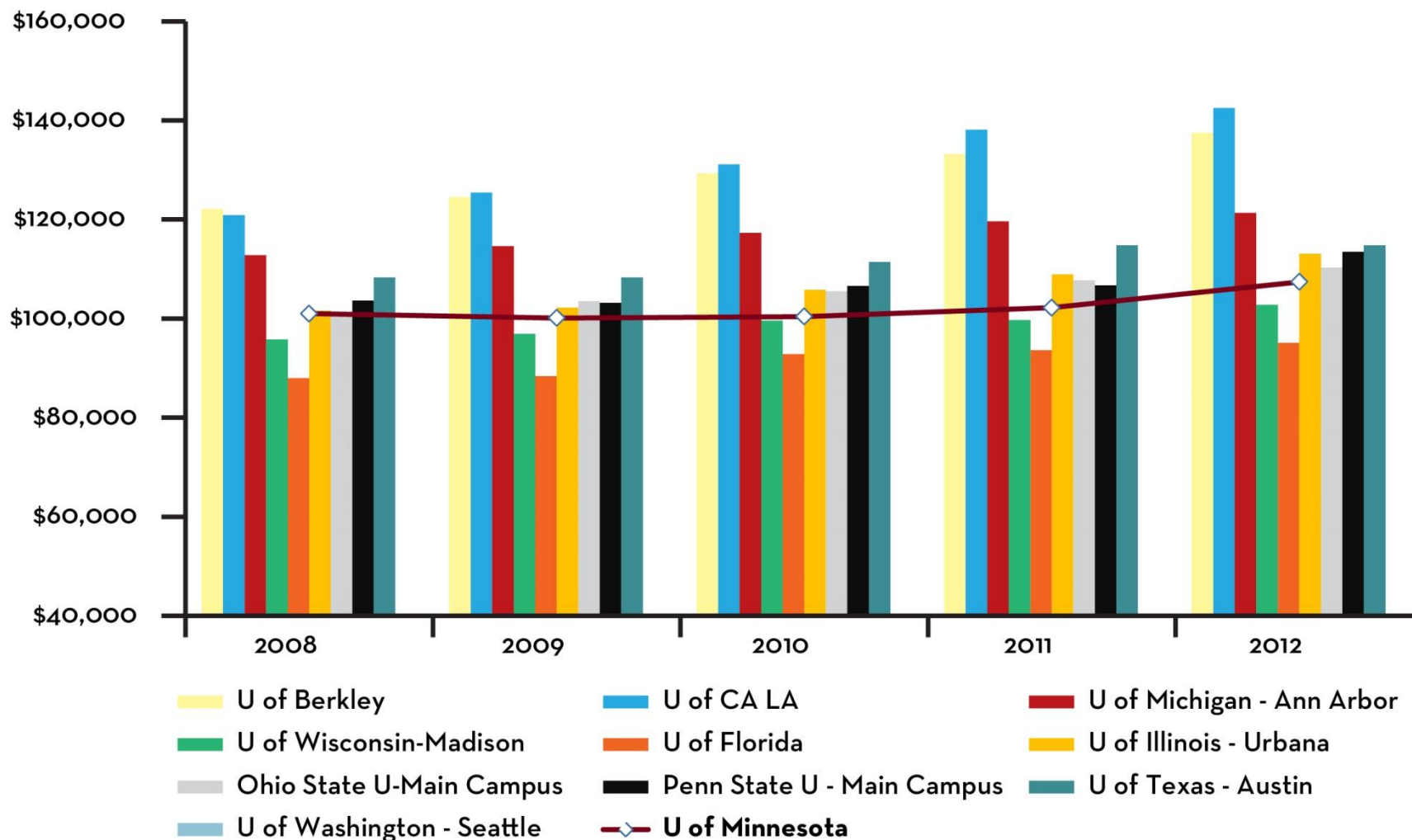
(U senior leader compensation generally at or below average compared to peers and Big 10)



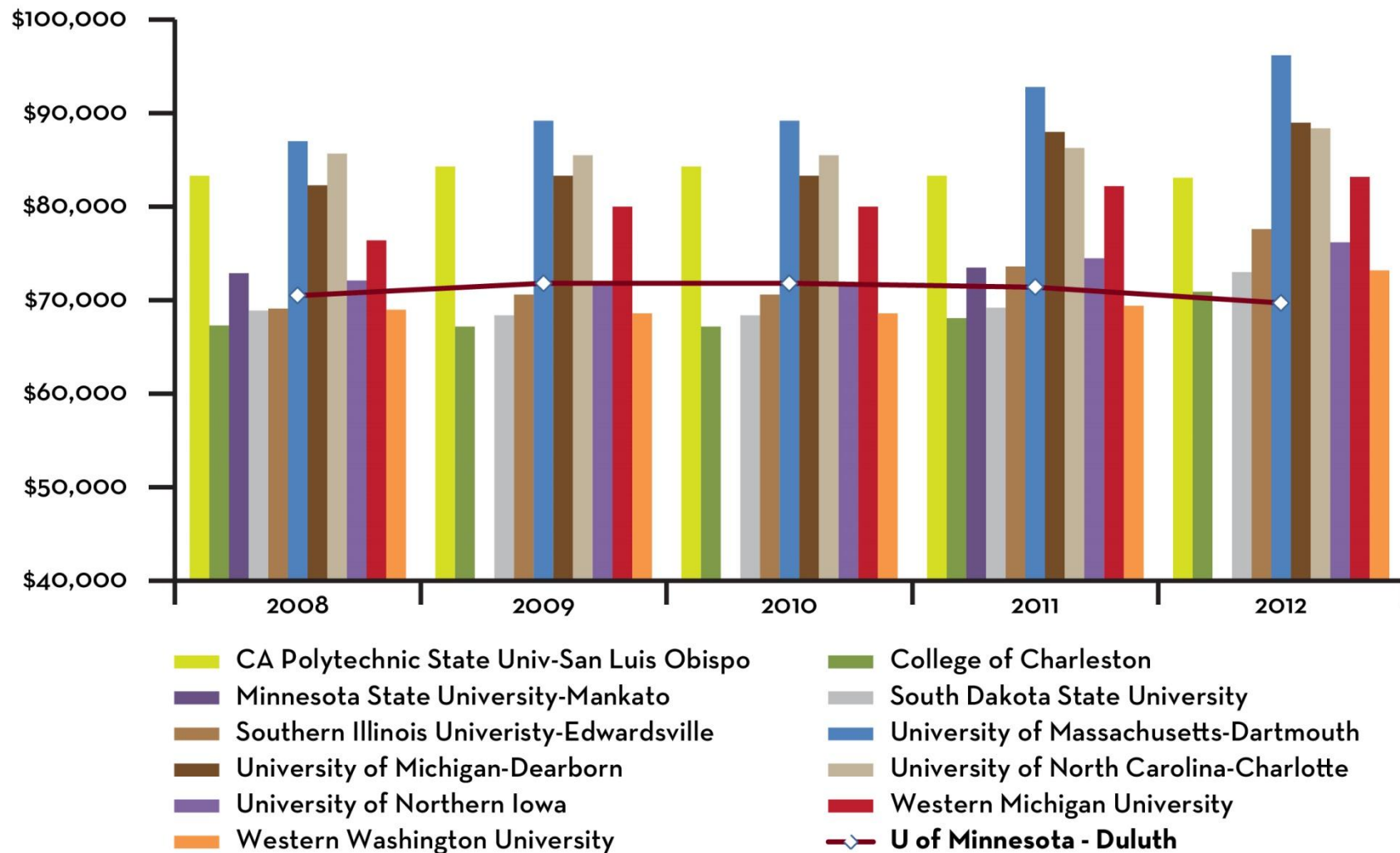
Senior Leaders: Deans & Others Compared to Peer Universities-Average (U deans compensation generally at or below average compared to peers and Big 10)



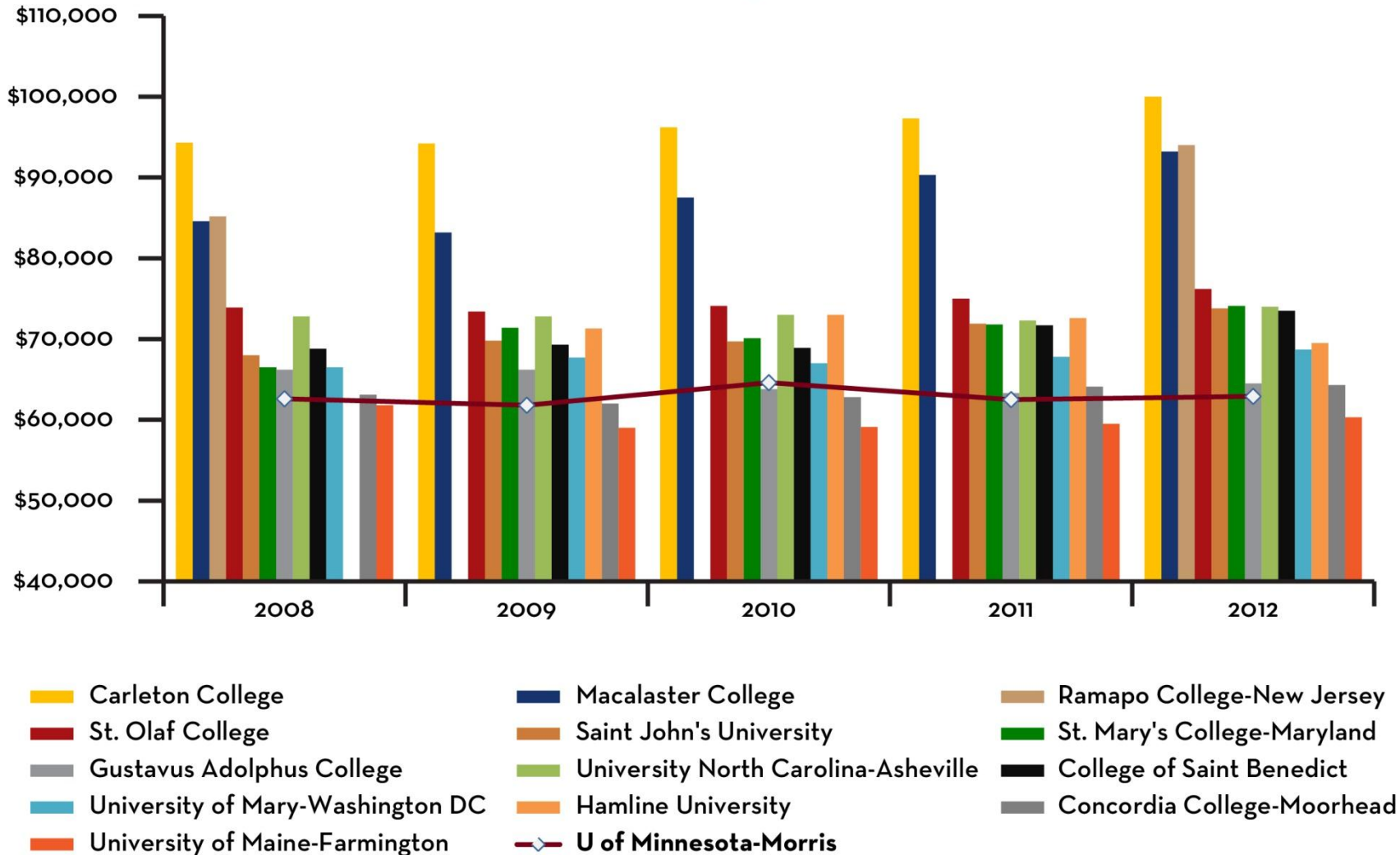
Trend Watch: Twin Cities Average Faculty Base Salaries



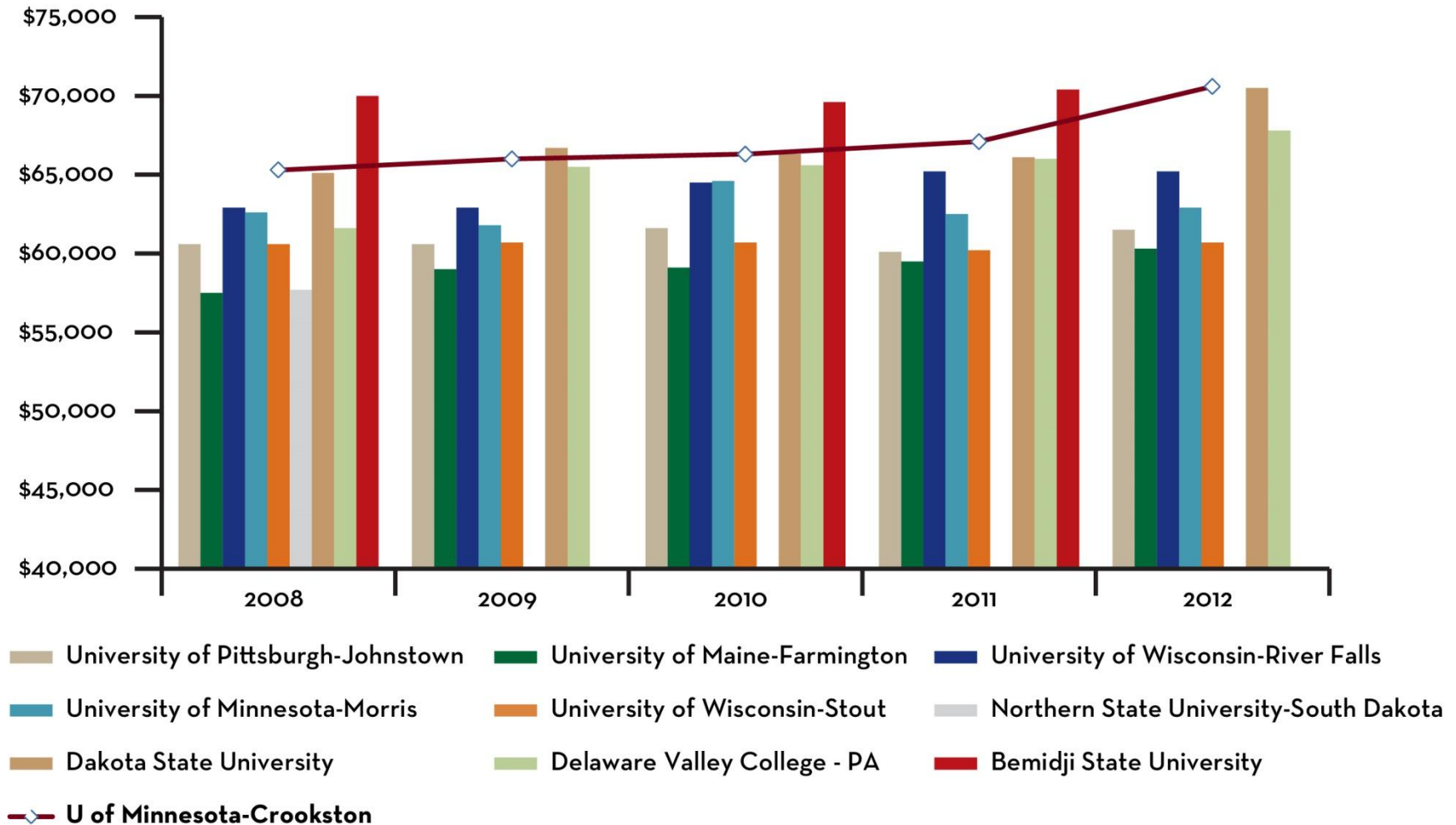
Trend Watch: Duluth Average Faculty Base Salaries



Trend Watch: Morris Average Faculty Base Salaries



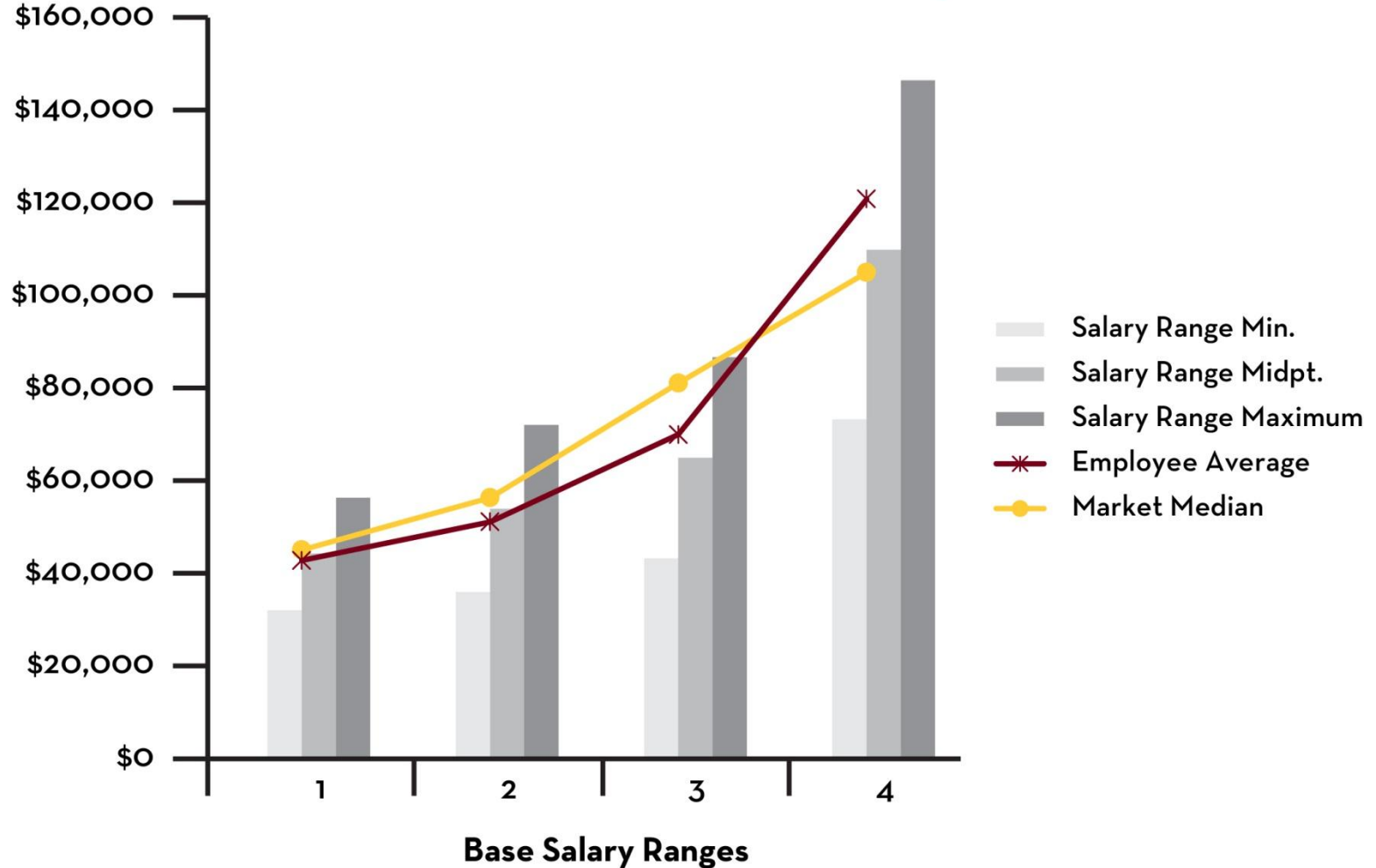
Trend Watch: Crookston Average Base Faculty Salaries



Professional Base Salaries

- Market pricing for these employee groups is initially being done through the Job Family Studies.
- This will provide benchmarks to compare against in the future.

Alumni Relations Job Family



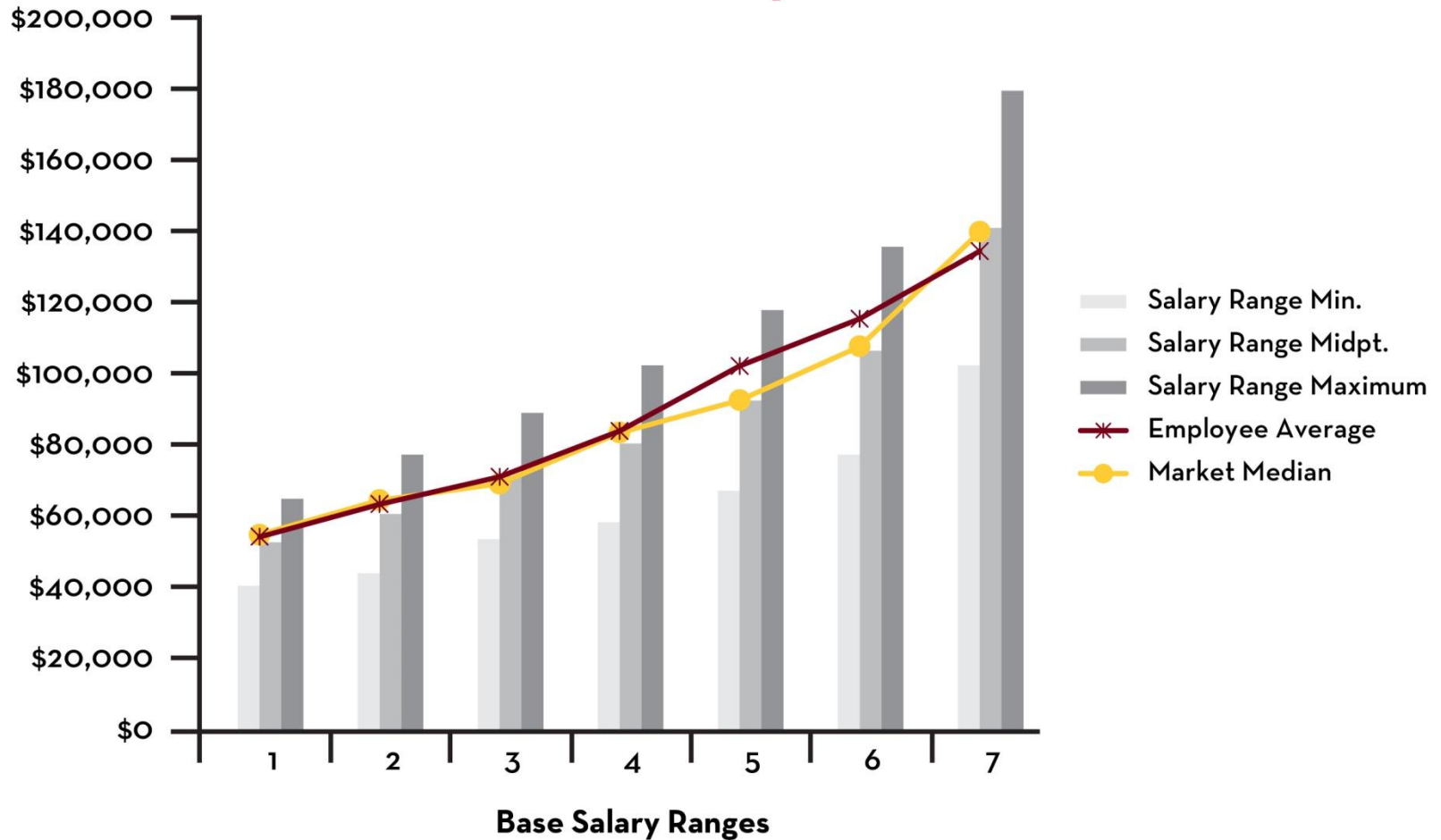
Communications Job Family



Finance Job Family



IT Job Family



Takeaways

1. Our headcount has remained flat for 10 years.
2. The amount of total budget we spend on compensation is relatively stable (roughly 61% to 62%).
3. Of our total compensation, the area with the greatest increase is benefits (benefits moving from 21% to 24% in five years).
4. While U of M benefits costs are increasing, it is at a rate that is below the national trend (UPlan increase is projected to be 5.8% while the national trend is projected to be 7%).
5. Senior leader salaries are on par or below peers.
6. Professional salaries are being evaluated as part of the Job Family Studies.